

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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August 21, 2001

Ms. Martha Hughey, Assistant Vice President of Reimbursement
National Healthcare Corporation
100 East Vine Street
Murfreesboro, Tennessee 37130

Re: AC# 3-AND-J9 – National Healthcorp L.P. d/b/a Anderson Health Care Center

Dear Ms. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract periods beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read 'Thomas L. Wagner, Jr.'.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes
Mr. Brad Moorhouse

**NATIONAL HEALTHCORP L.P.
D/B/A ANDERSON HEALTH CARE CENTER**

ANDERSON, SOUTH CAROLINA

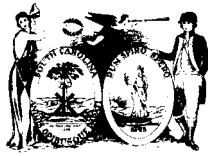
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-AND-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 1, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with National Healthcorp L.P. d/b/a Anderson Health Care Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by National Healthcorp L.P. d/b/a Anderson Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and National Healthcorp L.P. d/b/a Anderson Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
December 1, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-AND-J9

Interim reimbursement rate (1)	\$104.43
Adjusted reimbursement rate	<u>104.36</u>
Decrease in reimbursement rate	\$ <u>.07</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-AND-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.36	\$54.01	
Dietary		10.42	10.12	
Laundry/Housekeeping/Maint.		<u>7.56</u>	<u>8.88</u>	
Subtotal	<u>\$3.67</u>	69.34	73.01	\$ 69.34
Administration & Med. Records	<u>\$ -</u>	<u>12.86</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		82.20	<u>\$83.56</u>	79.89
<u>Costs Not Subject to Standards:</u>				
Utilities		2.07		2.07
Special Services		.10		.10
Medical Supplies & Oxygen		4.39		4.39
Taxes and Insurance		2.18		2.18
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$90.94</u>		88.63
Inflation Factor (3.20%)				2.84
Cost of Capital				13.42
Cost of Capital Limitation				(4.84)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				3.67
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.92)
Nurse Aide Staffing Add-on 10/1/2000				1.70
Nurse Aide Staffing Add-On 10/1/1999				<u>.86</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$104.36</u>

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 3,793,126	\$ 66,219 (4)	\$ 20,406 (5) 3,351 (6) 7,188 (8) 90,605 (9)	\$3,737,795
Dietary	769,867	313,754 (4)	325,232 (9)	758,389
Laundry	127,064	46,200 (4)	52,004 (9)	121,260
Housekeeping	230,840	111,201 (4)	107,823 (9)	234,218
Maintenance	192,988	93,911 (4)	92,049 (9)	194,850
Administration & Medical Records	972,861	221,971 (4) 21,771 (4) 7,188 (8)	256,318 (9) 31,414 (9)	936,059
Utilities	148,586	70,991 (4)	68,934 (9)	150,643
Special Services	7,393	-	-	7,393
Medical Supplies & Oxygen	319,817	-	-	319,817
Taxes and Insurance	171,914	77,458 (4)	23,451 (3) 67,301 (9)	158,620
Legal Fees	-	-	-	-
Cost of Capital	971,168	49,269 (4) 85,710 (10)	48,039 (1) 19,279 (7) 62,306 (9)	976,523
Subtotal	7,705,624	1,165,643	1,275,700	7,595,567

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	326			326
Non-Allowable	3,762,026	48,039 (1) 3,298 (2) 23,451 (3) 20,406 (5) 3,351 (6) <u>1,153,986 (9)</u>	3,298 (2) 1,072,745 (4) 85,710 (10)	3,852,804
Total Operating Expenses	<u>\$11,467,976</u>	<u>\$2,418,174</u>	<u>\$2,437,453</u>	<u>\$11,448,697</u>
Total Patient Days	<u>73,728</u>	<u>-</u>	<u>954 (11)</u>	<u>72,774</u>
Total Beds	<u>202</u>			

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTERAdjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 48,039	
	Accumulated Depreciation	658,024	
	Other Equity		\$ 600,457
	Fixed Assets		57,567
	Cost of Capital		48,039
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 100		
2	Fixed Assets - Noncertified Wing	210,084	
	Nonallowable - Noncertified Wing		
	Cost of Capital	3,298	
	Other Equity	10,489	
	Nonallowable		3,298
	Accumulated Depreciation - Noncertified Wing		220,573
	To adjust fixed assets and related depreciation associated with the noncertified wing HIM-15-1, Sections 100 and 2102.3		
3	Nonallowable	23,451	
	Taxes and Insurance		23,451
	To adjust property taxes HIM-15-1, Section 2304		
4	Cost of Capital	49,269	
	Taxes and Insurance	77,458	
	Administration	221,971	
	Maintenance	93,911	
	Utilities	70,991	
	Laundry	46,200	
	Housekeeping	111,201	
	Dietary	313,754	
	Medical Records	21,771	
	Restorative	66,219	
	Nonallowable		1,072,745
	To reverse DH&HS adjustment #52 HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Nursing	20,406	20,406
	To adjust provider's adjustment #23 HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable Nursing	3,351	3,351
	To adjust provider's adjustment #24 HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Interest Income Cost of Capital	19,279	19,279
	To adjust Home Office Interest Income HIM-15-1, Section 2150.2 State Plan, Attachment 4.19D		
8	Administration Nursing	7,188	7,188
	To reverse DH&HS adjustment #53 HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	1,153,986	
	Cost of Capital		62,306
	Taxes and Insurance		67,301
	Administration		256,318
	Maintenance		92,049
	Utilities		68,934
	Laundry		52,004
	Housekeeping		107,823
	Dietary		325,232
	Medical Records		31,414
	Restorative		90,605
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	85,710	85,710
	To adjust capital return State Plan, Attachment 4.19D		
11	<u>Memo Adjustment</u>		
	To adjust total patient days by 954 from 73,728 days to 72,774 days		
12	<u>Memo Adjustment</u>		
	To adjust total noncertified wing days by 944 from 30,265 days to 31,209 days		
13	<u>Memo Adjustment</u>		
	To increase total square footage by 864 square feet from 101,540 square feet to 102,404 square feet		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$3,316,050</u>	<u>\$3,316,050</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>202</u>
Deemed Asset Value	7,305,330
Improvements Since 1981	6,419,744
Accumulated Depreciation at 09/30/99	<u>(4,630,339)</u>
Deemed Depreciated Value	9,094,735
Market Rate of Return	<u>.060</u>
Total Annual Return	545,684
Return Applicable to Non-Reimbursable Cost Centers	(46,632)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>17,792</u>
Allowable Annual Return	516,844
Depreciation Expense	567,592
Amortization Expense	6,244
Capital Related Income Offsets	(51,851)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(62,306)</u>
Allowable Cost of Capital Expense	976,523
Total Patient Days (Minimum 96% Occupancy)	<u>72,774</u>
Cost of Capital Per Diem	\$ <u><u>13.42</u></u>

NATIONAL HEALTHCORP L.P. D/B/A ANDERSON HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-AND-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 4.59
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.58</u>
Reimbursable Cost of Capital Per Diem	\$ 8.58
Cost of Capital Per Diem	<u>13.42</u>
Cost of Capital Per Diem Limitation	\$ <u>(4.84)</u>

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